



# Fairfax County Internal Audit Office

## **DPWES Wastewater Management**

- *Wastewater Treatment Division*
- *Wastewater Planning and Monitoring Division*
- *Wastewater Collection Division*

## **Business Process Audits Final Report**

**November 2015**

***"promoting efficient & effective local government"***

# Executive Summary

We performed business process audits covering procurement and reconciliation within the Department of Public Works and Environmental Services (DPWES) Wastewater Treatment (WTD), Planning and Monitoring (WPMD), and Collection (WCD) divisions. These audits included review of procurement cards; FOCUS marketplace cards; purchase orders, non-purchase orders, value line purchase order payments; revenue/accounts receivable; and monthly reconciliations.

We found that the three Wastewater divisions had effective internal controls in place for the handling of purchasing functions. Reconciliations were independently performed and were completed in a timely manner. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- Two instances were noted where the Wastewater Treatment Division processed travel reimbursements that were incorrectly tabulated resulting in over-reimbursement of employees.
- Two transactions were noted where items requiring technical review were purchased on the Wastewater Treatment Division p-card. The circumvention of technical review was also noted for two transactions in the p-card sample reviewed for the Wastewater Collection Division.
- Review of the FOCUS marketplace weekly Transaction Detail Reports was not performed timely for all three Wastewater divisions.
- The Wastewater Treatment Division and the Planning and Monitoring Division did not have current Using Agency Director's Statement of Responsibility forms on file with the Department of Purchasing and Supply Management (DPSM).

## Scope and Objectives

This audit was performed as part of our fiscal year 2015 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were to review the three divisions of Wastewater Management's compliance with county policies for purchasing processes and financial reconciliation. We performed audit tests to determine internal controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

The audit population included transactions from procurement cards, FOCUS marketplace, purchase orders, value line purchase orders, and non-purchase order payments that occurred during the period of May 1, 2014, through April 30, 2015. For that

period, Wastewater Management's purchases are broken down as follows:

### **Wastewater Treatment Division**

Purchases were \$495,786 for procurement cards, \$33,086 for FOCUS marketplace, \$3,899,499 for purchase orders, \$5,050,510 for value line purchase orders, and \$833,639 for non-purchase order payments.

### **Wastewater Planning and Monitoring Division**

Purchases were \$123,668 for procurement cards, \$6,071 for FOCUS marketplace, \$162,333 for purchase orders, \$425,052 for value line purchase orders, and \$68,598,026 for non-purchase order payments.

### **Wastewater Collection Division**

Purchases were \$210,484 for procurement cards, \$10,900 for FOCUS marketplace, \$2,870,952 for purchase orders, \$2,239,868 for value line purchase orders, and \$284,698 for non-purchase order payments.

## **Methodology**

For each division, our audit methodology included a review of the division's business process procedures with analysis of related internal controls. Our audit approach included an examination of each division's expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county policies and procedures. Information was extracted from the FOCUS and PaymentNet systems for sampling and verification to source documentation during the audit.

## **Findings, Recommendations, and Management Response**

### **1. Incorrect Travel Reimbursements**

#### *Wastewater Treatment Division*

Of the 20 Non-PO payments reviewed for WTD, two contained erroneous information/calculations that resulted in the over-reimbursement of employees in the amount of \$121. The first error consisted of a mileage reimbursement for 368 miles where further scrutiny noted that the actual mileage travelled was only 233. The second error consisted of an incorrectly completed Travel Authorization Form where the 110 miles to be reimbursed was placed in the wrong cell within the form. This resulted in a mileage reimbursement of \$110, as the mileage was not correctly entered and multiplied by the allowable rate of \$0.56. Further, the 110 miles was an incorrect figure and did not account for the reduction of the employee's normal commute.

Travel reimbursements must only be processed with allowable amounts and accurate information. Procedural Memorandum (PM) 06-03 states: "Reimbursable travel mileage is calculated as the mileage difference between the miles traveled to the alternative work site (round-trip) less the daily commuting mileage traveled by the employee between residence and base work location."

Inadequate review of travel reimbursements increases the risk of incorrect reimbursements being processed.

**Recommendation:** We recommend WTD inspect travel reimbursements for accuracy. Reimbursement of miles travelled on work days should be net of an employee's normal commute if the employee does not first go to their home office.

**Management Response:** The agency focuses on training its staff for all types of Accounts Payable (AP) processing policies. Due to position turnover, most of the staff is new which means a lot of on-the-job training. The staff has been trained/re-trained on travel and auto mileage policies with an emphasis placed on ensuring commuting mileage is removed from travel and auto mileage requests.

The agency will seek reimbursement for commuting miles that were erroneously paid. Effective July 2015, the agency implemented a guideline that MapQuest documentation is to be included in all agency mileage reimbursements to confirm the total amount of miles being reimbursed. Management anticipates completion of this item by November 2015.

## 2. Technical Review

*Wastewater Collection Division*  
*Wastewater Treatment Division*

In our review of procurement card transactions for WTD, two purchases requiring technical review were noted. These purchases combined for the procurement of five office chairs. Additionally, our review of procurement card transactions for WCD noted two purchases requiring technical review. WCD staff purchased a laptop docking station and a 17" rack console on their procurement card.

PM 12-04 states that: "Unless formally exempted by the responsible technical review agency, no agency may purchase an item or service requiring technical review without first completing the review process. For this reason items and services requiring technical review may not be purchased using a procurement card."

The purchase of technical equipment on the county procurement card circumvents the technical review process. Purchasing technical items on the p-card increases the risk of overpayment for goods, purchases not compatible with the county's systems or not compliant with the county's standards, and purchases from a vendor that does not offer adequate technical support.

**Recommendation:** We recommend WTD and WCD create purchase orders in FOCUS to procure equipment requiring technical review. WTD and WCD staff should review PM 12-04m, Technical Review Category Matrix, prior to making any purchases of technical equipment. If clarification is needed or questions arise regarding the procurement of technical equipment or software, the responsible technical review staff listed in PM 12-04m should be contacted. If exemptions from technical review are granted by a tech review agency then documentation of the exemption should be maintained on file.

**Management Response:** Purchase orders are normally created for technical review items. However, to ensure technical review controls are more closely monitored before purchases are made with the procurement card, the following has been reemphasized:

- Procurement Card Custodians have been reminded to consult the Technical Review Commodity Matrix before issuing a p-card.
- All authorized p-card users have been reminded of the technical review policies and advised that failure to consult the Technical Review Commodity Matrix could result in losing p-card privileges until the on-line p-card training is re-taken and passed.

Management anticipates completion of this item by November 2015.

### **3. FOCUS Marketplace Weekly Review of Transaction Detail Reports**

*Wastewater Collection Division*  
*Wastewater Planning and Monitoring Division*  
*Wastewater Treatment Division*

Of the 37 weekly FOCUS marketplace Transaction Detail Reports tested, 23 were not reviewed in a timely manner. Of the 23 exceptions, 14 were reviewed at least three weeks late.

PM 12-16 states: "Performing weekly reviews of all orders for office supplies against the expenditures posted to the agency FOCUS accounts will reveal transactions that do not belong to the agency or that might be of a fraudulent nature. The agency office supply Program Manager should obtain a copy of the agency's FOCUS p-card report on a weekly basis. A cursory review of the bank's p-card report should be conducted weekly in order to mitigate fraud."

Failure to consistently generate and review Transaction Detail Reports weekly increases the risk of inappropriate or unauthorized charges going undetected.

**Recommendation:** We recommend the Wastewater Management Office Supply Program Manager consistently generate and review the Transaction Detail Report for the FOCUS marketplace on a weekly basis.

**Management Response:** The agency's standard operating procedure is to submit the marketplace weekly transaction report to the Financial Manager for review and sign off every Monday. The Management Analyst (MA) I, responsible for this duty has been absent from work due to health issues. Due to the number of vacancies in the Financial Planning Branch, we were unable to reassign this backlog.

The agency is evaluating the hiring of a Limited Term employee to assist in the timely reconciliation of Marketplace transactions in conjunction with other fiscal tasks to assist while the MAI is undergoing health issues. The Financial Manager will identify a backup position for this duty once all the positions in this branch are filled. Management anticipates completion of this item by June 2016.

#### **4. Using Agency Director's Statement of Responsibility**

*Wastewater Treatment Division*

*Wastewater Planning and Monitoring Division*

The Using Agency Director's Statement of Responsibility on file was not current for WTD and WPMD. PM 12-02 states: "This statement acknowledges the director's responsibility for the agency's proper use of the p-card. The agency director is required to sign this form prior to the agency's initial participation in the p-card program. When the director leaves the agency, the Program Manager should have the new director sign the form and forward the original to DPSM."

Failure to maintain a current Using Agency Director's Statement of Responsibility on file decreases accountability and increases the risk of operating the p-card program outside of county guidelines.

**Recommendation:** We recommend WTD and WPMD forward the completed Using Agency Director's Statement of Responsibility form to DPSM and maintain a copy of the form on file.

**Note:** *During the audit, a signed and dated Using Agency Director's Statement of Responsibility was forwarded to DPSM for both WTD and WPMD. No management response is needed for this item.*